

**Graduate Student Association-
University of Waterloo
Financial Statements**
August 31, 2019

Independent Auditor's Report

To the Members of Graduate Student Association-University of Waterloo:

Opinion

We have audited the financial statements of Graduate Student Association-University of Waterloo (the "Organization"), which comprise the statement of financial position as at August 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Waterloo, Ontario

March 3, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Graduate Student Association-University of Waterloo
Statement of Financial Position

As at August 31, 2019

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	<i>2019</i>	<i>2018</i>
Assets						
Current						
Cash	1,151,666	-	-	-	1,151,666	616,092
Investment (Note 3)	513,500	-	-	-	513,500	500,000
Accounts receivable	-	38,525	-	-	38,525	70,963
Interest receivable	3,796	-	-	-	3,796	-
Inventory (Note 4)	-	13,798	-	-	13,798	9,745
Prepaid expenses and deposits	198	10,200	-	-	10,398	15,474
External reserves	-	-	-	43,313	43,313	164,224
Interfund receivable (payable) (Note 5)	(1,253,342)	200,236	60,954	992,152	-	-
	415,818	262,759	60,954	1,035,465	1,774,996	1,376,498
Capital assets (Note 6)	-	-	128,927	-	128,927	142,214
	415,818	262,759	189,881	1,035,465	1,903,923	1,518,712

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Graduate Student Association-University of Waterloo
Statement of Financial Position

As at August 31, 2019

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	2019	2018
Liabilities						
Current						
Accounts payable and accruals (Note 7)	-	111,872	-	-	111,872	136,427
Net Assets						
Unrestricted	415,818	-	-	-	415,818	274,613
Internally restricted	-	150,887	189,881	1,035,465	1,376,233	1,107,672
	415,818	150,887	189,881	1,035,465	1,792,051	1,382,285
	415,818	262,759	189,881	1,035,465	1,903,923	1,518,712

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Graduate Student Association-University of Waterloo Statement of Operations

For the year ended August 31, 2019

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	<i>2019</i>	<i>2018</i>
Revenue						
Bus pass fees	1,189,054	-	-	-	1,189,054	1,115,106
Dental plan fees	-	-	-	1,200,703	1,200,703	1,204,048
Health plan fees	-	-	-	925,467	925,467	927,459
Investment income	26,739	-	-	-	26,739	4,636
Other income	-	6,327	-	-	6,327	62,340
Sales (Schedule 1)	-	337,134	-	-	337,134	297,651
Student fees	389,215	319,529	-	-	708,744	660,126
	1,605,008	662,990	-	2,126,170	4,394,168	4,271,366
Expenses						
Amortization	-	-	18,189	-	18,189	15,732
Dental plan fees	-	-	-	1,191,974	1,191,974	1,093,833
Bus pass fees	1,189,054	-	-	-	1,189,054	1,115,106
Health plan fees	-	-	-	718,619	718,619	707,755
Miscellaneous	2,643	7,323	-	-	9,966	20,415
Purchases (Schedule 1)	-	149,155	-	-	149,155	129,849
Professional services	5,572	20,818	-	-	26,390	20,866
Salaries and benefits	236,677	327,645	-	-	564,322	671,364
Supplies	806	15,370	-	-	16,176	22,876
Operating	9,678	43,486	-	-	53,164	62,788
Student services	37,337	10,020	-	-	47,357	50,019
Promotion	36	-	-	-	36	101
	1,481,803	573,817	18,189	1,910,593	3,984,402	3,910,704
Excess (deficiency) of revenue over expenses	123,205	89,173	(18,189)	215,577	409,766	360,662

The accompanying notes are an integral part of these financial statements

Graduate Student Association-University of Waterloo
Statement of Changes in Net Assets

For the year ended August 31, 2019

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	2019	2018
Net assets, beginning of year	274,613	79,903	189,881	837,888	1,382,285	1,021,623
Excess (deficiency) of revenue over expenses	123,205	89,173	(18,189)	215,577	409,766	360,662
Interfund transfers (Note 5)	18,000	(18,189)	18,189	(18,000)	-	-
Net assets, end of year	415,818	150,887	189,881	1,035,465	1,792,051	1,382,285

The accompanying notes are an integral part of these financial statements

Graduate Student Association-University of Waterloo
Statement of Cash Flows
For the year ended August 31, 2019

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	2019	2018
Cash provided by (used for) the following activities						
Operating						
Excess (deficiency) of revenue over expenses	123,205	89,173	(18,189)	215,577	409,766	360,662
Amortization	-	-	18,189	-	18,189	15,732
	123,205	89,173	-	215,577	427,955	376,394
Changes in working capital accounts						
Accounts receivable	-	32,438	-	-	32,438	(59,728)
Interest receivable	(3,796)	-	-	-	(3,796)	-
Inventory	-	(4,053)	-	-	(4,053)	1,280
Interfund receivable/payable	407,289	(75,514)	(13,287)	(318,488)	-	-
External reserves	-	-	-	120,911	120,911	27,293
Prepaid expenses and deposits	4,376	700	-	-	5,076	45
Accounts payable and accruals	-	(24,555)	-	-	(24,555)	63,104
	531,074	18,189	(13,287)	18,000	553,976	408,388
Investing						
Purchase of investment	(13,500)	-	-	-	(13,500)	(500,000)
Purchase of capital assets	-	-	(4,902)	-	(4,902)	(28,032)
Increase (decrease) in cash resources	517,574	18,189	(18,189)	18,000	535,574	(119,644)
Cash resources, beginning of year	616,092	-	-	-	616,092	735,736
Interfund adjustments (Note 5)	18,000	(18,189)	18,189	(18,000)	-	-
Cash resources, end of year	1,151,666	-	-	-	1,151,666	616,092

The accompanying notes are an integral part of these financial statements

Graduate Student Association-University of Waterloo

Notes to the Financial Statements

For the year ended August 31, 2019

1. Status and nature of activities

Graduate Student Association-University of Waterloo (the "Organization") is a non-profit organization, incorporated without share capital under the laws of the Province of Ontario. The Organization is an association of graduate students of the University of Waterloo whose purpose is to provide advice and a voice for its members in the University community. In addition, the Organization operates the Graduate House, a private club and graduate student lounge and provides dental and health benefit plans, and a Grand River Transit universal bus pass to its members.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund accounting

The Organization follows the restricted fund method of accounting for contributions, and maintains four funds: the Association Fund, the Graduate House Fund, the Capital Fund and the Health and Dental Fund.

The Association Fund reports the Organization's revenue and expenses related to program delivery and administrative activities.

The Graduate House Fund, an internally restricted fund, reports the Organization's revenue and expenses related to bar and house activities.

The Capital Fund reports the Organization's assets, liabilities, revenues and expenses related to the Graduate Student Association capital assets. Amortization of capital assets is recorded in this fund. Beginning in 1998, other funds which use these assets reimburse the Capital Fund for amortization expense via interfund transfers.

The Health and Dental Fund, an internally restricted fund, reports the Organization's revenue and expenses related to the health and dental plan, including administrative activities.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Capital assets

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution, if fair value can be reasonably determined.

Amortization expense is reported in the Capital Fund. Amortization is provided using the following methods at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	straight-line	3 years
Equipment	straight-line	7-10 years
Furniture and fixtures	declining balance	20 %
Leasehold improvements	straight-line	20 years

Graduate Student Association-University of Waterloo

Notes to the Financial Statements

For the year ended August 31, 2019

2. Significant accounting policies (Continued from previous page)

Revenue recognition

The Organization uses the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expense is incurred. Unrestricted investment income is recognized as revenue when earned.

Student fees are recognized as revenue of the Association Fund and the Graduate House Fund when the funds are earned. Bus pass fees are recognized as revenue of the Association Fund when the funds are earned. Health and dental fees are recognized as revenue of the Health and Dental Fund when funds are earned. Bar and food sales at the Graduate House are recognized as revenue of the Graduate House Fund at the point of sale when the transaction occurs.

Contributed services

Volunteers assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include amortization, accruals and allowance for doubtful accounts.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. Accruals are made for expenses that have occurred, but the invoice has not been received.

Management has estimated the value of the inventory based upon their assessment of the realizable amount less selling costs.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess (deficiency) of revenue over expenses in the periods in which they become known.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada Handbook Section 3840 *Related Party Transactions* (refer to Note 8).

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year. Fair value is determined by reference to recent arm's length transactions.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Organization's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operations for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Graduate Student Association-University of Waterloo

Notes to the Financial Statements

For the year ended August 31, 2019

2. Significant accounting policies *(Continued from previous page)*

Financial asset impairment

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factors, or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year operations.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in operations in the year the reversal occurs.

3. Investment

The following investment was on hand as at August 31, 2019:

	2019	2018
Measured at cost:		
CIBC 2.05% guaranteed investment certificate, due May 25, 2020 (2018 - 1.80% due May 23, 2019)	513,500	500,000
	513,500	500,000

At year end, there was accrued interest receivable on the investment of \$2,850 (2018 - nil).

4. Inventory

	2019	2018
Beer, wine and spirits	4,863	2,461
Food	5,889	5,229
Supplies	3,046	2,055
	13,798	9,745

The cost of inventories recognized as an expense amounted to \$149,155 (2018 – \$129,849).

5. Interfund transactions

During the year, the Organization approved the following transfers:

- a) a transfer of \$18,189 from the Graduate House Fund to the Capital Fund as payment for the amortization of capital assets; and
- b) a transfer of \$18,000 from the Health and Dental Fund to the Association Fund as payment for administration costs.

Graduate Student Association-University of Waterloo

Notes to the Financial Statements

For the year ended August 31, 2019

6. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2019 Net book value</i>	<i>2018 Net book value</i>
Computer equipment	6,323	2,012	4,311	1,420
Equipment	170,653	142,483	28,170	35,386
Furniture and fixtures	65,532	61,724	3,808	4,757
Leasehold improvements	418,170	325,532	92,638	100,651
	660,678	531,751	128,927	142,214

Amortization for the year amounted to \$18,189 (2018 - \$15,732).

7. Accounts payable and accruals

Included in accounts payable and accruals are government remittances payable amounting to \$6,802 (2018 - \$4,355).

8. Related party transactions

The University of Waterloo (the "University") has an economic interest in the Organization. The University owns the building in which the Organization operates, provides services to the Organization, and collects student fees on behalf of the Organization.

The University provides a number of services to the Organization at the University's cost. These services include space cost for the Graduate House, utilities and repair and maintenance services for the Graduate House, insurance for the building and the telephone and voice mail system.

The University also provides processing of payroll to the Organization at no cost.

Amounts owing to the University are \$69,141 (2018 - \$43,092) and are included in accounts payable and accruals.

9. Commitments

The Organization entered into a contract with the Region of Waterloo - Grand River Transit, for a period of five years from September 1, 2015 to August 31, 2020, to provide a universal bus pass to full-time, on campus, graduate students. The rate for the pass beginning September 1, 2019 is \$98.60 and will increase by 4.99% annually.

10. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is also the risk that the Organization will not be able to liquidate assets in a timely manner at a reasonable price. The Organization's exposure to liquidity risk is dependent on the sale of inventory, collection of accounts receivable, and purchasing commitments and obligations.

The Organization meets its liquidity requirements by preparing and monitoring detailed budgets for operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Graduate Student Association - University of Waterloo
Schedule 1 - Schedule of Graduate House Sales and Cost of Sales

For the year ended August 31, 2019

	<i>Beer</i>	<i>Liquor</i>	<i>Wine</i>	<i>Food</i>	<i>Total</i>
2019					
Sales	\$ 163,886	\$ 7,112	\$ 5,666	\$ 160,470	\$ 337,134
Cost of sales					
Inventory, beginning of year	1,614	755	92	5,229	7,690
Add: purchases	71,257	1,974	2,125	76,861	152,217
Less: inventory, end of year	3,955	776	132	5,889	10,752
	68,916	1,953	2,085	76,201	149,155
Gross margin	\$ 94,970	\$ 5,159	\$ 3,581	\$ 84,269	\$ 187,979
Gross margin %	57.9	72.5	63.2	52.5	55.8
2018					
Sales	\$ 140,837	\$ 5,482	\$ 5,767	\$ 145,565	\$ 297,651
Cost of sales					
Inventory, beginning of year	1,841	603	128	6,025	8,597
Add: purchases	60,284	2,244	3,008	63,406	128,942
Less: inventory, end of year	1,614	755	92	5,229	7,690
	60,511	2,092	3,044	64,202	129,849
Gross margin	\$ 80,326	\$ 3,390	\$ 2,723	\$ 81,363	\$ 167,802
Gross margin %	57.0	61.8	47.2	55.9	56.4